

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, Linda Breathitt,
And Nora Mead Brownell.

American Electric Power Service Corporation

Docket No. ER01-3026-000

ORDER ACCEPTING FACILITIES AGREEMENT

(Issued October 26, 2001)

On September 7, 2001, American Electric Power (AEP) filed an executed Facilities Agreement (FA) between Ohio Power Company¹ and Fremont Energy Center LLC (Fremont) under AEP's open access transmission tariff (OATT). In this order, we accept the FA for filing, effective November 6, 2001, subject to the modifications discussed in the body of this order. By accepting this agreement we find that power and transmission customers will benefit through an increased power supply and improved transmission system stability and reliability.

I. Background

Fremont is constructing a generating facility in Sandusky County, OH which is expected to enter service in June, 2003. Fremont has entered into an interconnection and operating agreement with American Transmission System, Inc. (ATSI), whose transmission system is directly interconnected with and part of AEP's integrated transmission system. AEP will provide transmission service pursuant to the terms and conditions of its OATT. In addition, in American Electric Power Service Corporation, we accepted amendments to AEP's OATT to include procedures for the interconnection of generation.²

¹Ohio Power Company is a wholly-owned subsidiary of American Electric Power Company, Inc., which provides transmission service pursuant to AEP's OATT.

²91 FERC ¶ 61,308 (2000), order on reh'g, 94 FERC ¶ 61,166 (2001).

The FA sets forth the terms and conditions governing the costs and billing, defaults and remedies, insurance, liability and indemnification, dispute resolution and general provisions. It also provides for AEP to design, construct, own, operate, maintain and repair or replace the direct connection facilities and system upgrades.

The total projected cost of the interconnection facilities is \$3,702,000. Projected costs for system upgrades necessary to alleviate transmission overloads are \$2,965,000, for which Fremont will ultimately receive credits when it takes the delivery component of the transmission service. System upgrades necessary to remedy short-circuit problems total \$381,000 and direct connection facilities total \$356,000, for which Fremont will not receive transmission credits.

Under the terms of the FA³, Fremont is responsible for the cost of the facilities necessary to physically and electrically interconnect the generating facility to AEP's transmission system and system upgrades necessary to remove overloads resulting from connection of the facilities to the network. The FA provides that Fremont shall be eligible for a credit for transmission services in an amount equal to the cost borne by Fremont for these system upgrades. However, system upgrades necessary to remedy short-circuit problems and direct connection facilities do not qualify for transmission service credits under the executed agreement.

II. Notice of Filing

Notice of AEP's filing was published in the Federal Register, 66 Fed. Reg. 48450 (2001), with motions to intervene or protests due on or before September 28, 2001. No motions to intervene or comments were received.

III. Commission's Decision

Section 3.2 of the FA provides that the generating company (Fremont) shall pay AEP a contribution to capital covering the full cost of installing direct connection facilities and system upgrades. In addition, the generating company will be entitled to a credit equal to the amount paid for the cost of system upgrades necessary to alleviate transmission overloads. On May 17, 2001, in Consumers Energy Company, 95 FERC ¶ 61,233, reh'g denied, 96 FERC ¶ 61,132 (2001) (Consumers Energy), the Commission clarified that credits are required for all network upgrade costs, including those incurred to remedy short-circuit or stability related problems. As we noted in Consumers Energy, the Commission's policy regarding credits for network upgrades associated with the

³ Facilities Agreement, Section 3.2, Appendix B, Project Cost Projections.

interconnection of a generating facility has been, and continues to be, that once delivery service begins, transmission providers must credit back to customers all network upgrade costs (the cost of all facilities from the point where the generator connects to the grid), including those necessary to remedy short-circuit and stability problems.⁴ Also, on September 14, 2001, in Entergy Services, Inc., 95 FERC ¶ 61,437, reh'g denied, 96 FERC ¶ 61,311 (2001) (Entergy), the Commission reaffirmed its decision in Consumers and required Entergy to amend executed interconnection agreements to include credits for all network system upgrades.

In addition, there is one further matter we wish to address: interest on the monies paid by Fremont for network upgrades that Fremont ultimately will receive back through transmission credits. Traditionally, we have not required that the credits include interest on the monies paid; the credits reflect only the principal. This is a matter we intend to explore as part of a generic proceeding on interconnection pricing that we intend to initiate in the near future. In the interim, though, until that proceeding reaches a final conclusion, we find that the transmission credits should include interest on the monies paid.⁵

Therefore, consistent with our findings in Consumers Energy; Entergy and AEP I we will accept the proposed FA, to become effective November 6, 2001, as requested, subject to AEP filing revised credit provisions which specifically provide for crediting of all network upgrades including interest.

The Commission orders:

(A) AEP's proposed Facilities Agreement is hereby accepted for filing, without suspension or hearing, to become effective on November 6, 2001, as discussed in the body of this order.

⁴Consumers Energy, 95 FERC at 61,804. See also Duke Energy Corp., 95 FERC ¶ 61,279 at 61,980 (2001) (finding that the interconnection facilities were network facilities because they were integrated into Duke Energy's existing transmission network facilities); GridSouth Transco, LLC, 96 FERC ¶ 61,067 at 61,294 (2001); Ameren Services Company, 96 FERC ¶ 61,036 at 61,098 (2001); Arizona Public Service Company, 96 FERC ¶ 61,005 at 61,017 (2001); American Electric Power Service Corporation, 96 FERC ¶ 61,472 at 62,692 (2001).

⁵ See American Electric Power Service Corporation, 97 FERC ¶ ____ at ____, slip op. at 3-4 (2001) (AEP I).

(B) AEP is hereby ordered to revise the credit provisions in the Facilities Agreement to specifically provide for crediting of network system upgrades including those incurred to remedy short-circuit or stability related problems, within 30 days of the date of this order.

(C) AEP is hereby ordered to revise the Facilities Agreement to provide for interest payments on the network system upgrades, as discussed in the body of this order.

By the Commission. Commissioner Breathitt dissented in part with
a separate statement attached.

(S E A L)

David P. Boergers,
Secretary.

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American Electric Power Service Corporation

Docket No. ER01-3026-000

Breathitt, Commissioner, dissenting in part:

(Issued October 26, 2001)

In an order issued on October 25, 2001, in American Electric Power Service Corporation, Docket No. ER01-2163-001, I issued a dissent on the Commission's new policy to require interest on transmission credits. For the reasons I articulated in AEP, I dissent on this aspect of today's order.

Linda K. Breathitt
Commissioner